STATE OF IOWA

DEPARTMENT OF COMMERCE

UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. RPU-2012-0002

ORDER GRANTING REQUEST TO FINALIZE BENEFIT AMOUNT AND CANCELING REPORTING REQUIREMENT

(Issued July 26, 2013)

PROCEDURAL BACKGROUND

On November 26, 2012, the Utilities Board (Board) issued an order approving a Settlement Agreement between Interstate Power and Light Company (IPL) and the Consumer Advocate Division of the Department of Justice (Consumer Advocate) and approved a general rate increase for natural gas service provided by IPL. As part of the Settlement Agreement, the Board also approved a Tax Benefit Rider (TBR) whereby IPL would flow through to customers over a three-year period the expected tax benefits associated with Internal Revenue Service (IRS) rulings on: (1) proceeds from the 2008 flood; (2) mixed service costs; and (3) repair expenditures. As approved in the settlement, IPL will return $12 million in IRS benefits through the TBR each year over the three-year period with a reconciliation at the end of the three years. Since the exact amount of the tax benefits that IPL would receive was not known at the time the settlement was approved, the Board required IPL to file reports every six months regarding the status and amounts of the tax benefits.

On May 24, 2013, IPL filed a status report related to the natural gas TBR. In the status report, IPL states that the Board on February 19, 2013, issued an order addressing IPL's final "Report on Regulatory Liabilities Related to Tax Benefit Rider" related to IPL's electric (rather than gas) TBR. Docket No. ARU-2010-0001, Interstate Power and Light Company, "Order Accepting Report" (issued 2/19/13). That electric TBR report requested that the Board finalize the amounts to be used in the electric TBR because the IRS audits had been completed and all tax adjustments with respect to the three categories of benefits had been made. IPL states that the Board in the February 19, 2013, order accepted the electric TBR report and found that no other expenses or benefits from the three tax categories needed to be included in the regulatory accounts used for the electric TBR.

On June 7, 2013, Consumer Advocate filed a response stating that it had no objection to the report filed by IPL on May 24, 2013.

IPL FILING

Consistent with the Board's February 19, 2013, order in Docket No. ARU-2010-0001, IPL is requesting the Board finalize the recovery amounts to be reflected in the regulatory liability account used for the gas TBR. The total amount to be finalized is $47,785,395. IPL also requests the Board find that IPL has satisfied the reporting requirements of the Board's November 26, 2012, order in Docket No. RPU-2012-0002. IPL requests the Board find that no further reporting obligations related to the underlying TBR benefits are required for IPL's Iowa retail gas jurisdiction. IPL states that the report filed May 24, 2013, fulfills the requirements in the November 26, 2012, order and follows the same ratemaking principles accepted by the Board in Docket No. RPU-2010-0001 for the electric TBR.

IPL filed documentation and an explanation of the amount of the benefits that have resulted from the three projects. IPL states that the 2008 flood insurance proceeds project is considered a non-recurring event. The mixed service costs and repair expenditures tax projects relate to accounting method changes which have been filed as part of IPL's federal income tax returns. With Board approval, IPL sought tax accounting changes that would benefit customers and the Board delayed ratemaking treatment until the IRS audit was completed.

IPL pointed out that the Board in the November 26, 2012, order approved the use of the TBR for return of the estimated tax benefits of the three projects prior to completion of the IRS audit. Based upon the information IPL had at the time of the Settlement Agreement, IPL was to return $12 million annually over a three-year period to retail gas customers. IPL proposed to update the benefits and credits to customers after the audits were complete. IPL now states that the audits are complete and the total flow-through tax benefits are $47,785,395. IPL is currently returning $12 million of the benefits through the TBR during 2013, the first year of the three-year period.

IPL states that all tax deductions taken for the three projects have been finalized with the IRS. Regulatory review and changes approved by the audit reports have been accepted. IPL provided accounting schedules that include the detail of the jurisdictional differences along with the proposed regulatory accounting. IPL states that all deferred taxes in the rate base were appropriately reflected in Docket No. RPU-2012-0002 and will not need any further adjustment to rate base to finalize the accounting.

IPL is requesting a return to traditional Iowa ratemaking practices for any subsequent income tax expenses and benefits from the three separate tax projects consistent with Docket No. ARU-2010-0001. The timing and amount of remaining refunds for the tax benefits accumulated in the regulatory liability account are expected to be determined by the Board in future tariff filings. IPL provided schedules to assist in the explanation of the final update on the three tax projects for regulatory liability/TBR treatment.

BOARD DISCUSSION

In the November 26, 2012, order, in Docket No. RPU-2012-0002 the Board approved the implementation of a TBR to return approximately $36 million in tax benefits to IPL's natural gas customers. Since the exact amount of the tax benefits was not final as of the date of the order, the Board approved the return of $12 million in credits to customers each year over a three-year period. A final reconciliation would then be performed at the end of the three-year period. The Board also directed IPL to file reports every six months regarding the progress of the IRS audits and any changes to the amount of the benefits to be returned to customers.

IPL states that the IRS audits have been concluded and the results show that IPL natural gas customers are to receive $47,785,395 in total benefits. IPL requests that the Board approve the final amount of total tax benefits and find that IPL has satisfied all Docket No. RPU-2012-0002 reporting requirements related to the TBR and no further reporting regarding the TBR is required for IPL's Iowa retail gas jurisdiction.

IPL made a similar filing regarding the benefits due IPL's electric customers in Docket No. ARU-2010-0001. On February 19, 2013, the Board issued an order in that docket accepting the report regarding the electric TBR including all requests for accounting or regulatory treatment contained in the report. The Board found that IPL had satisfied the filing requirements from Docket No. RPU-2010-0001, the most recent IPL general electric rate case, and no further reporting obligations related to the underlying tax projects were required for IPL's Iowa electric jurisdiction. The Board stated that IPL could return to traditional Iowa ratemaking practices for any subsequent income tax expenses and benefits from the three tax projects.

In the natural gas TBR, IPL is returning approximately $12 million in benefits in 2013 in compliance with the settlement. It is the Board's understanding that IPL has not decided whether it will pursue an increase in the benefits to be returned in 2014 and 2015 or return the additional benefits from the $47,785,395 through the final reconciliation.

Based upon the fact that the IRS audits have concluded and the total benefits have been determined, the Board will grant IPL's request to finalize the total benefit number, end the reporting requirements, and approve the requests for accounting and regulatory treatment. The total amount of benefits has been determined to be $47,485,395. With the finalization of the total benefits above the $36 million originally calculated by IPL, there appears to be no issue with over-refunding so there is no need for the reporting requirements to continue. The proposed accounting treatment of the benefits is reasonable and IPL can account for any additional benefits that may be recovered through traditional ratemaking procedures.

If IPL desires to increase the annual recovery for 2014 and 2015, IPL will need to request approval from the Board because the $12 million figure was approved as part of the Settlement Agreement. Any change in the Settlement Agreement will need the agreement of Consumer Advocate and the approval of the Board before the change is implemented.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. The "Status Report on Regulatory Liabilities Related to Tax Benefit Rider" filed May 24, 2013, by Interstate Power and Light Company is accepted.

2. The finalized amount of $47,785,395 to be reflected in the regulatory liability account used for the Tax Benefit Rider related to Iowa retail natural gas jurisdiction in Docket No. RPU-2012-0002 is accepted.

3. The proposed accounting treatment of the benefits is approved and Interstate Power and Light Company may return to traditional Iowa ratemaking practices for any subsequent income tax expenses and benefits from the three separate tax projects.

4. The requirement for filing reports related to the gas Tax Benefit Rider is canceled.

UTILITIES BOARD

/s/ Elizabeth S. Jacobs

/s/ Nick Wagner

ATTEST:

/s/ Judi K. Cooper
Executive Secretary, Deputy

Dated at Des Moines, Iowa, this 26th day of July 2013.